

PROJECT OVERSIGHT REPORT

On-Line Games Procurement
Washington State Lottery (WSL)

Report as of Date:
April 2005

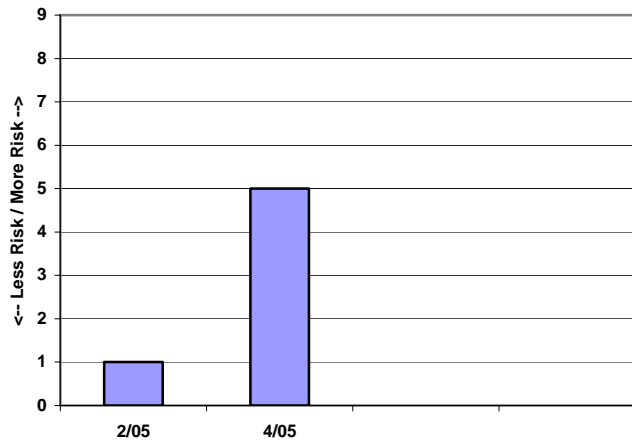
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Severity/Risk Rating: Medium (Severity medium, risk medium)

Oversight: Level 2 – DIS

Overall Project Risk Assessment



Staff Recommendations: The WSL received two responses to their request for proposal (RFP). Both proposals were non-responsive due to missing material or unsatisfactory answers to mandatory RFP requirements. Staff recommends the following:

- Continue to use the General Administration Office of State Procurement as the RFP coordinator.
- Cancel the RFP.
- Review the mandatory requirements to determine if they truly are mandatory and make any other minor amendments that the WSL determines would make the RFP clearer.
- Inform the vendors of issues with their original proposals.
- Reissue the RFP with a short turn-around time.

Issues/Risks:

Schedule: The delay in the RFP puts the Lottery behind schedule in identifying the successful vendor. The Lottery sent letters of rejection to GTech and Scientific Games, the two vendors that submitted proposals and that the RFP was cancelled. The Lottery now plans to issue a new RFP April 29, 2005. Responses will be due May 31, 2005. They will name the apparently successful vendor by July 29, 2005.

Status:

Life Cycle Stage: The project is in the RFP stage.

Project Schedule: A new RFP schedule will have to be developed.

Project Management: The Lottery has an RFP project team, which includes representatives from the business areas of the Lottery. This team discussed the results of the RFP and reviewed the Lottery's options. The Lottery members wanted to review the options with the Lottery management

before announcing their decision on how they would proceed. The project team includes the Office of State Procurement and Department of Information Services/ISB staff. ISB Staff provides oversight and recommendations for compliance with ISB requirements and good RFP practices, as does the Department of General Administration's Office of State Procurement.

Background Information

The Washington State Lottery has a legislative mandate to support state programs through the sale of lottery tickets and lottery products. The Lottery, through a lottery service contract, contracts with a vendor to provide hardware, software, communications, and retailer equipment at over 3,500 sites state-wide, to support lottery ticket sales and provide sales information. The Lottery is seeking a six-year contract with optional extensions to 10 years. The current service contract with GTECH Corporation expires June 30, 2006.

The Lottery's RFP is historically consistent with on-line gaming solicitations by the Lottery in the past. The Lottery will incorporate best practices from the North American Association of State and Provincial Lotteries. Use of the Department of General Administration's Office of State Procurement is a move to involve people with significant procurement experience who in recent years have also done a number of procurements under ISB rules.

The procurement is being conducted with a long lead-time. Due to the cancellation of the first RFP because both proposals were non-responsive due to missing material or unsatisfactory answers to mandatory RFP requirements, the Lottery will release a new RFP with a shorter time for vendors to respond. The responses will be due May 31, 2005 and a new apparently successful vendor will be identified by July 29, 2005. This will put the Lottery two months behind their original plan. Contract negotiations with the new vendor and the implementation schedule will determine if the implementation can be completed by the time of the expiration of the contract with the current vendor, GTech.

The Lottery contract is worth \$10-11 million per year to the winning vendor. The Lottery would like to sign a six year contract with options to extend for an additional four years. Gross sales exceed \$460 million annually. Lottery funds distribution includes prizes of \$298 million, Education \$86.8 million, and retailer commissions \$28.9 million.